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The CREDIT WORLD

Magazine of
Retail Credit

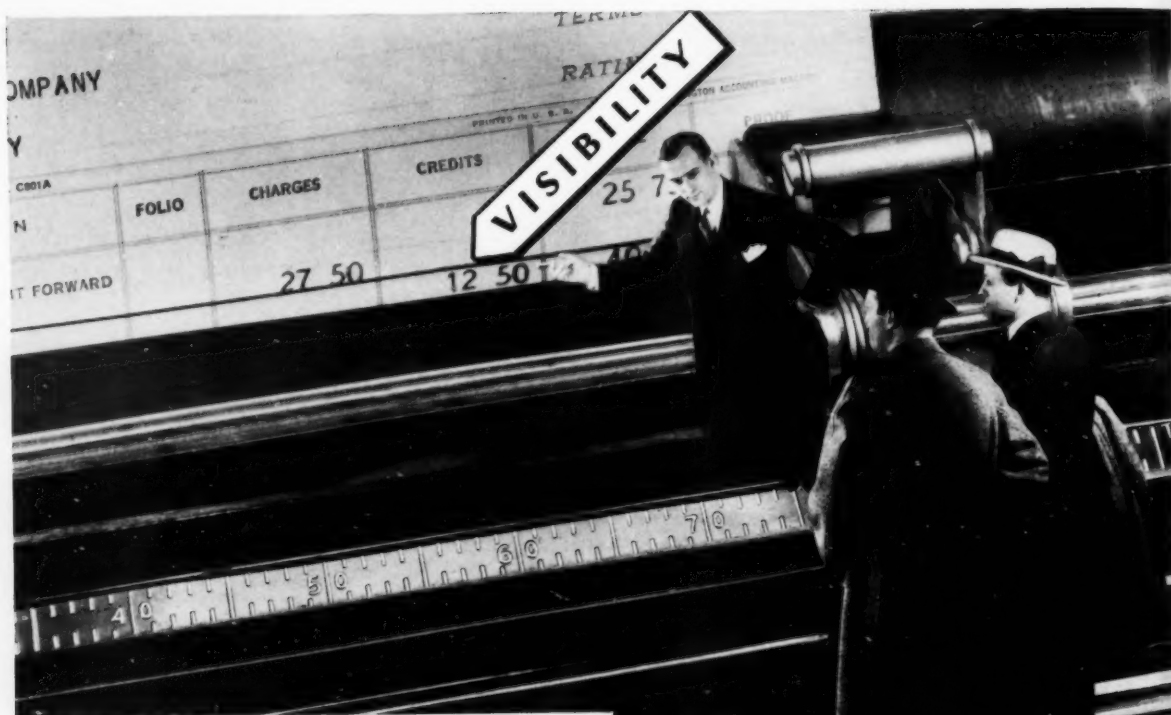
THE curtain is about to rise upon a new year. While wishing our friends a Merry Christmas, let us realize the shadows of depression are behind us and, with unity of purpose and unselfish effort, bring a return of commercial prosperity early in 1932.

—D. J. WOODLOCK



DECEMBER, 1931

Vol. XX No. 4



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The CREDIT WORLD

Official Magazine of the NATIONAL RETAIL CREDIT ASSOCIATION

December, 1931 Vol. XX No. 4

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CONTENTS

Editorial Comment	2
When the Cash Customer Applies for Credit	4
Separate Units for Credits and Collections	7
The Distribution of the Consumer's Dollar	11
"A Dollar Down and—"	12
Your Credit and the Credit Bureau	15
Worth Noting	17
Advantages of Paying Your Bills Promptly	18
The President's Message	19
Collecting Delinquent Accounts and Locating "Skips"—by Telegraph	20
Give the Bureau Man a "Chance to Climb"	21
Washington Bulletin	22
What's In a Promise to Pay?	24
Farm Taxes and "Local" Government	27



This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association; in all other respects the Association cannot be responsible for the contents thereof or for the opinions of writers.

CHANGE OF ADDRESS: A request for change of address must reach us at least one month before date of the issue with which it is to take effect. Duplicate copies cannot be sent without charge to replace those undelivered through failure to send this advance notice. With your new address it is absolutely essential that you also send us your old one. Entered as second-class matter at the post office at St. Louis, Mo., under the Act of March 3, 1879. Published monthly at 1218 Olive Street, St. Louis, Mo. Subscription, \$2.00.

EDITORIAL OFFICE.....1218 Olive Street, St. Louis, Mo.

Advanced Credit Course Ready

The Advanced Educational Course, which our Educational Committee has been working on for almost a year, will be ready shortly after the first of the year. Work may be started immediately in the formation of such classes.

It is recommended that this course be used by students who have satisfactorily completed our regular Educational Course.

The course will use as a text the new book, *Credit Department Salesmanship*, written by Bartlett and Reed (co-authors of *Retail Credit Practice*, one of the texts used in our regular course). There will be a syllabus covering twelve lectures. Subjects included are:

- "The Credit Man—Super Salesman"
- "Credit Salesmanship Fundamentals"
- "Salesmanship in Credit Interviews"
- "Office Conferences—Adjustments"
- "Selling the New Credit Policy"
- "Collection Salesmanship—1. Contact"; "Collection Salesmanship—2. Letters"
- "Efficient Credit Service Builds Sales"
- "Cooperation Between Credit and Sales Departments"
- "The Methods of New Account Promotion"
- "The Modern Science of Customer Control"
- "Installment Sales Promotion"

Business is looking more and more to the Credit Department to develop a real sales organization. The fundamentals of credit salesmanship are thoroughly covered in this course as is the psychology of collections.

As in the previous course, all students making a satisfactory grade in the final examination will be awarded a diploma.

Start the ball rolling. Organize your Advanced Class now. Write today for complete information.

Educational Department National Retail Credit Association

Executive Offices, St. Louis, Missouri

EDITORIAL COMMENT

D. J. WOODLOCK

The New Year Must Bring a New Appreciation of Sound Credit Management

An analysis of all the causes leading to our business depression brings the conviction that mismanagement of credit was the greatest contributing factor.

A further study of our failure to readjust and recover more promptly indicates our business leaders have little or no knowledge of the use of sound credit as a stimulus to business.

The inflation of bank credit, a total disregard for sound credit practices in handling stock issues and the substitution of "gamble" for credit fundamentals, caused all our misery of the past two years and is a serious reflection upon the entire credit fraternity.

The retailers should feel exceptionally proud of the fact that in this breakdown of credit, consumer credit played little part. In fact, it proved to be the most stable and liquid credit, and during these months of unrest, has been the one bright spot on our commercial horizon.

We feel this stabilization of consumer credit, which has been so evident during the past two years, when all other forms of credit were experiencing difficulty, is due entirely to loyal adherence to the counsel of the National Retail Credit Association by the leading retail merchants of this country.

The retail credit manager, referred to only a few years ago as a "glorified bookkeeper," has demonstrated his ability during this period of stress and this should bring all of us consumer-credit grantors to a realization of the possibilities which are ours.

Changing conditions have brought about a new conception of the credit manager! He is being viewed in a new light by business interests. His job has become the most important in our commercial scheme. With scientific credit management there will be no more debacles such as the one through which we are passing.

The retail credit manager of the future can no longer lay claim to the title of credit executive because of his personal knowledge of conditions within the limited boundaries of his own community. He must become a student of all forms of credit—banking, international, wholesale, etc. He must be a credit executive in all the name implies. He must not alone have an intimate knowledge of the credit of his community, but must know what the trends are in banking and jobbing credit.

Five years ago, visualizing this particular development, the National Retail Credit Association created a class study for credit managers—an educational course from the ground up—and we were repaid for our efforts by the enrollment of thousands of students. Then came the necessity of an advanced course which would further develop those who successfully passed the initial course.

This advanced course will be ready January 1, and all members of this Association should take it, so as to fit themselves for the opportunities which will be open for real credit executives who have the ability to meet the need for scientific credit management.

» » »

What About the Consumer?

It would appear that the consumer, who is the source of all prosperity, has been neglected by our economists, who have set up a billion-dollar bank to help other banks, another bank to help the farmer, and another to help the real estate interests.

These are all steps in the right direction and we whole-heartedly endorse them, but what about the individual?

Our entire commercial plan is stagnated not only by the loss of the purchasing power of millions of unemployed but by the inability of credit customers of exceptionally good credit rating to borrow money on their holdings of stocks, bonds, and real estate to tide them over a temporary condition.

Why not create a national banking arrangement to assist the individual?

After "Liquidity" — What Next?

We have always held the credit policies of our banks in high regard, but their panicky curtailment of individual credit during the past ninety days prompts this comment.

When word was passed to the banks to reduce their loans, the credit standing of the individual who had stocks, bonds or real estate mortgages as collateral on a loan to help him over a temporary financial difficulty was given no consideration. The drop of one point in the market value of stocks was sufficient excuse for a demand for additional collateral.

Real estate mortgages, although nominally representing a fifty or sixty per cent equity, were no longer regarded as dependable collateral and thousands of individuals who for years enjoyed enviable credit reputations found themselves embarrassed as never before.

We do not question the soundness of the banker's idea of making loans liquid as quickly as possible but we doubt the wisdom of not applying the yardstick of credit to the individual borrower as well as to his collateral. Many of our most dependable citizens have their life-savings tied up in stocks and bonds of shrunken value or real estate notes and mortgages, which appear to be "taboo" as collateral in making a bank loan.

The embarrassing of these persons by a demand for an immediate liquidation of their loans, is in no way helping present business conditions but, on the other hand, is creating a spirit of antagonism and distrust which is unnecessary.

The average citizen regards the bank as a service institution where he may borrow at a reasonable rate of interest but, if the present policy is continued, he will regard it as nothing more than a safety deposit vault for the storage of money.

After all, what we need now to put life into commerce is a more liberal credit policy and not a curtailment of credit. This is particularly true of the individual who is the starting point for all consumption, which creates the demand for production and builds our prosperity. A new system of banking credit, based upon character and capacity, rather than collateral, would help present-day conditions.

A Merry Christmas to All Members of the National Retail Credit Association

IN WISHING you a Merry Christmas, we search our lexicon in vain to find words with which to adequately express our appreciation of the loyalty, help and cooperation which has been accorded to us by the entire membership.

The history of the National Retail Credit Association has been one of continued progress, even in the face of unusual business conditions. While other trade organizations are losing members, we are showing a continued increase because of the loyalty and interest of each individual, and particularly of the members of our Service Department.

It is no small task to serve and harmonize the activities and policies of eighteen thousand members, twelve hundred credit bureaus, and seven hundred collection units, but your whole-hearted willingness to assist us has made our task lighter and our service greater.

That the New Year may bring you rich rewards in Health, Happiness and Financial Prosperity, is the sincere wish of the entire personnel of your National Office.

D. J. WOODLOCK,
Manager-Treasurer.

GUY H. HULSE,
*Secretary and
Educational Director.*



WHEN THE CASH CUSTOMER APPLIES FOR CREDIT

By S. A. RIPLEY

Adjustment Manager, Retailers Board of Trade
San Diego, Calif.

A RECENT survey of the United States Department of Commerce shows retail trade amounts to fifty-three billion dollars annually and that twenty-five billion, or almost 50%, is sold on credit. Let us consider the cash business, amounting to twenty-eight billion.

The National Retail Credit Association reports that 90% of the credit reporting bureaus (San Diego included) had an increase in the number of credit reports for the first nine months of 1931 over the same period of 1930. The significance of this increase is magnified when we know there has been a decrease in volume of business in dollars and cents.

Many of our members have carefully analyzed their charge accounts during the past few months and are much concerned in regard to the applicants who have never established credit.

There has been an increase in applications for temporary credit. The head of the family is unemployed and relief is sought through the charge account.

By interviewing representative firms in different lines of business in San Diego, information was obtained concerning the policies our members are using to meet the present trend of the cash customer. All agreed on fundamental principles: The applicant must have a regular income or salary, favorable personal references, no derogatory information recorded against his moral character.

BANKS: A banker makes it a particular point to study the depositor. A customer opens a two-or three-figure checking or savings account. The personal references are cleared at the time the account is opened.

In due course the depositor applies for a loan. If his checking account has been satisfactory (no insufficient fund checks); purpose of loan worthy; if arrangements can be made for payment within 90 days; a small loan may be made promptly. This transaction is based solely on moral integrity—bearing in mind that the Association in this case had no ledger experience.

BUILDING MATERIAL DEALERS: One of our members in the building material industry holds morning meetings of salesmen. Prospective customers are obtained from the cash sales delivery tickets of the previous day.

These tickets are for sales of \$25.00 or more. If several \$5.00 or \$10.00 cash sales tickets have been made for one person during a short period of time, these cash customers are also included in the list.

The salesman calls at the residence. He asks if the material delivered was satisfactory and assures the customer his firm appreciates the business. During this interview he obtains all information possible in regard to general appearance of the home; stability; place of employment; number in family and any facts which can be obtained in a friendly, courteous manner.

This information is recorded in the credit department of his company for future reference—to convert the cash customer into a credit customer. When an application is made for a small amount of credit—even \$1.00—this member requests a complete credit report from our Association. The credit manager feels through this contact a large amount might be sold at some future date, if he is prepared with all credit information which will justify selling a large account. This corporation states its policy has paid big dividends.

PAINTS: The paint house will extend credit to the painter who has paid cash in former years, provided the material purchased is for a specific job and provided the owner has established his credit.

The rush applicant who asks to charge two or three gallons of paint and promises to pay tomorrow or next week is generally denied credit. Experience has taught that the person who cannot wait for application to be placed in the proper manner seldom pays his account.

AUTOMOTIVE INDUSTRY: The automotive industry keeps record of cash customers by license number, legal and registered owner of a car. The cash customer is now asking credit for labor and material used in repairs.

One automobile dealer reports everyone thinks credit should be extended for repairs because a car for \$1,000.00 has been purchased and paid for through the finance company. The Agent's response to this is: "Practically everyone drives a car but every cash customer is not a desirable credit risk." Consequently, all available information is checked before credit is granted.

OIL AND GASOLINE: An oil company presents a credit card to be renewed quarterly, but payable monthly. Gasoline, oil, tires, may be purchased by the use of this card. Effective November first, batteries may be purchased. In this manner a check on the customer can be made every ninety days and no further credit extended if he does not prove worthy.

PROFESSIONAL SERVICES: This Association has admitted to membership 100 doctors during the past thirty days. The present tendency is to render medical service on the same basis as merchandise is sold.

This overcomes the past practice of preferred creditors. Many paid all accounts before the doctor. Today, there are clinics in San Diego which require the patient to fill out a regular credit application card before service is rendered.

FURNITURE: A woman looks at furniture; tells the salesman she desires to go home to think it over or talk to her husband before making the purchase. Later she calls by telephone and requests the furniture delivered, which is sent out C. O. D. The driver leaves the merchandise with promise of check to be mailed. A cash transaction becomes one of credit.

In the majority of these cases the account is paid satisfactorily. The nature of the furniture business is different in that this commodity furnishes a home, which is more or less stable. Sentiment is attached to the purchase. A record of all cash sales over \$50.00 is kept.

HOUSEWARES: A representative store selling housewares has a definite credit granting policy. If the cash customer's purchases amount to over \$50.00, he receives a personal letter from the manager and a credit application blank is enclosed. Each salesman throughout the store has a pad of application blank forms. When he has waited upon a cash customer several times, he gives this customer a credit application form.

Many cash customers state they did not know this firm extended credit. If sufficient interest is shown, the salesman accompanies the customer to the credit manager's office and application is made in the proper manner.

Information is obtained as to whether or not the applicant is renting or if he is buying a home (rent or payments should not exceed 25% of his salary) and the length of time he has lived at each address.

Both the summer and winter addresses are obtained. This company is especially interested in the employer's opinion of the applicant's moral integrity. This store desires to convert all regular cash patrons into credit customers.

If the report received from the Association convinces this credit manager that the applicant has not sufficient ground for an open thirty-day account, the lease contract plan for credit is presented. This simplifies the transaction and safeguards the creditor.

PRINTERS: In many print shops a placard, placed in a conspicuous place states: "DEPOSIT REQUIRED FROM THOSE WHO HAVE NOT ESTABLISHED CREDIT. NO REASONABLE PERSON WILL OBJECT TO THIS." Often the amount required at the time the order is placed is 50%—balance on delivery.

This is considered a C. O. D. transaction and is applicable to the occasional order for announcements, business forms and cards. When several transactions of this nature have been made with the same person, a small amount of credit may be granted and frequently the charge account is encouraged, if there is a repeat order.

MENS' FURNISHINGS: A veteran merchant selling men's furnishings believes there are few people who have lived in San Diego for more than five years who have not had some dealing in real estate. When a former cash customer applies for credit, this merchant obtains all information in regard to real estate; the legal description, if possible.

He knows our credit reporting bureau has real estate records for the past twenty-five years and this is the starting point for developing information. He has a heart-to-heart talk with the applicant and explains his store is granting an accommodation to the prospective credit customer. The old principle—an account properly opened is half collected—applies in this instance.

LADIES' READY TO WEAR: Discrimination and tact are required of the credit grantor in the ladies'-ready-to-wear shop. The first purchase may be a coat for \$100.00 or a dress which cannot be returned to stock after it is worn. The problem in this enterprise is the woman who has tried on the garment, decided on the purchase, but says if she cannot have it to wear the same evening it will be no value to her.

She impresses the fact her mother or near relative has a charge account. Her husband is steadily employed. It is impossible to wait for personal references to be cleared through the credit reporting bureau. Accounts opened under these circumstances are seldom paid.

DEPARTMENT STORES: One department store member has clearly defined rules for granting

credit to the former cash customer. Each applicant is granted a \$25.00 limit, provided he has been steadily employed on a regular salary for six months or more and there is no derogatory information against his moral character.

A "national" department store, formerly on a strictly cash basis, has a record of each cash customer. When this corporation decided to change to a credit business they knew their customers and easily changed their policy.

GROCERS: Many firms have no record of cash customers. One grocer says it is impossible for him to keep a record because of instability. The cash customer moves frequently or shops around.

In conclusion: The modern trend is to study the cash customer and be prepared for the day he applies for credit. Large corporations are bidding for their share of the twenty-eight billions of cash spent in the retail trade.

Persons who formerly had funds with which to pay cash for purchases are, because of the extraordinary conditions confronting them today, forced to seek credit for the first time. Therefore, they are unable to give the type of reference which is considered necessary.

Their only sources of reference are relatives or business associates whom they know intimately. Often the information furnished is meager and our bureau is faced with the necessity of developing information upon which the various credit managers can base judgment.

If an applicant has lived here for several years and has no derogatory record against his moral character, if place of employment has been verified and personal references report favorably, there is a presumption he is a good risk for limited credit. The applicant is innocent until he has been proven guilty.

It is not self-evident the customer is a good or poor credit risk because he has formerly paid cash. It is important to the credit grantor that he obtain antecedent history of the moral integrity of the applicant, something of his mode of living, whether or not he has changed residence or business address often and the cause for changes and—*what his neighbors think of him*. All this can be obtained through your own credit bureau.

Finally, this subject resolves itself down to the intelligent use of credit bureau service. *Get a complete picture of the applicant.*

» » »

More national stickers and inserts were sold by the National Office during the past four weeks than in any previous corresponding period in our history. Many credit bureaus are putting them in stock for the convenience of their members.

Announcing— Credit Department Salesmanship

By BARTLETT and REED

Authors of
"Retail Credit Practice"

Ready about January 5—

Harper & Brothers, the publishers, in their advance announcement, say:

"Here, two foremost authorities examine every phase of the credit executive's job—and tell how credit interviewing, granting or even refusing of credit, collection of debts, credit service, customer control, can all help to get more customers into the store to buy more goods.

"Full authoritative discussions of such important topics as:

1. Use of selling psychology in credit work.
2. Use of sales promotion to build up more charge accounts for the store.
3. Use of letters for both collection and sales building.
4. Use of the newest methods of handling the installment credit problem.

"These are but a few of the topics covered with specific suggestions from successful experience."

Designated as official textbook for the Advanced Credit Course.

Price \$3.50

Order now, for delivery
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1218 Olive St.

St. Louis, Mo.

SEPARATE UNITS FOR CREDITS AND COLLECTIONS

By A. J. WALKER

General Manager, Oppenheim,
Collins & Co., Brooklyn, N. Y.



WHILE business succeeds through proper advertising, merchandising and selling, yet those stores having charge accounts must depend to a large measure for their success upon the proper employment of intelligent credit and collection methods.

The success or failure of any business house extending credit depends upon turnover of capital—those extending credit must look to their Collection Department to effect the result; this department must, therefore, be made as effective as possible.

Each organization has its own ideas regarding the best system for practical and intelligent credit and collection procedure. To my mind the best procedure is to have the credit and collection departments carried as separate units. This is a day and age of specialization and during the past two years much greater care has had to be exercised by the credit managers in the extension of credit.

The matter of handling collections effectively has been a greater problem than at any time during the past several years. All of these known facts prove conclusively that more care, more intelligence and more efficient methods must be used today both in the extension of credit, and in the collection of balances outstanding.

Credit methods determine to whom credit shall be extended and for how much. Collection methods largely determine whether there is a meeting of business obligations or whether an account becomes delinquent, slow pay or undesirable. "Business grants credit for the sake of tomorrow, but collects for the sake of today."

The function of the credit manager in many organizations of today is not only that of supervision of credit granting, but goes a step further and embodies also sales promotion. To my mind the granting or extension of credit is but a part of a credit manager's problems. Much time and thought must be given to planning sales campaigns, reviving inactive accounts and increasing charge sales in various departments, as well as inducing those cus-

tomers who only buy in one department to patronize other departments of the store.

These last three functions require specialized knowledge, as well as efficient methods of operation. Not much time is left for other matters, particularly those of collections. When a person comes in to open an account in a store where there is a separate credit and collection system, there is just one person to see—the application clerk, who should of necessity be trained to obtain all information desired in a courteous manner.

All references must then be cleared. This is taken care of by one person, who must follow the matter through until all information has been obtained. This person is trained to do this work systematically and intelligently.

The application is then referred to the Credit Manager for limitation—it should then follow a regular routine of entry in a cross index which shows alphabetically and numerically the name, address, limit and the number of the application. A 3" x 5" card is now made out showing name, address, limit and date the application was approved and it is filed sixty days ahead in a dated file. At the end of sixty days it is sent to the Sales Ledger Department, where it is checked to learn whether any purchases have been made and the amount.

If the amount exceeds the limitation you have a check against the authorizers and the bookkeepers, as there should have been an "overlimit" card referred, if the amount exceeded the limitation. If no purchases have been made, a letter called a "No Purchase Letter No. 1" is written—the date it is written is placed on the 3" x 5" card and dated thirty days ahead. At the end of thirty days this is repeated, and again the third time; if no purchases are made by the end of the third thirty-day period the card is removed entirely from the file.

Again in this case, the entire process is done by someone thoroughly trained to do it and this method results in purchases being made by at least 90% of the new accounts that have been opened and approved.

It may be pointed out that by the "divisional system," the interview is made by one person—the limit placed on the account by the same person and also when the account becomes overdue, it is followed by that person and there is a better knowledge of the person and the account than if these functions were handled by different persons.

I contend there is no advantage in this system because if each step of the transaction is handled by someone who is trained to do that particular work and if it is necessary to refer an overdue account, where the credit and collection departments are run as separate units, that if all information possible was obtained in a thorough manner anyone thoroughly trained in collection work can use all available information to better advantage because of his particular training.

Let us follow an account through from the time it has been opened and approved: Let us take January 10, 1931, as a date to start with. If purchases are made the first month the customer gets a bill on the first of February; let us suppose no additional purchases were made during February. The customer will get a statement on the 15th of March (made up in duplicate form). The original is sent to the customer and the collection department retains the duplicate, this duplicate statement contains the name, the address, the month and the amount due—also the application number—this data having been made out by the Bookkeeping Department.

The duplicate statement is sent to the Bookkeeping Department on April 10, 1931 for rechecking and if additional charges have been made the amount of same is added on the duplicate statement and—if the January purchases are still open—the statement is returned to the collection department and a reminder card is sent to the customer.

The duplicate statement is sent to the customer and a collection card is now made out with the name, address and application number, the month and amount due—the same thing happens where no additional purchases have been made since January, only a different reminder is sent out.

Where the account for January is paid the duplicate statement is taken from the file and used for scratch pads. The collection cards are filed as soon as made out and dated ahead; the filing being done alphabetically. You will find that at least 75% of your accounts who made purchases in January have been paid by March 10, so you have only 25% left to make out collection cards for.

The collection cards which were dated ahead from ten to fifteen days from the dates they were made out are pulled from the file according to the date and sent to the Bookkeeping Department for checking (this is done by a clerk who is trained for that purpose) and all information on the ledger page is now added to the collection card, such as

the business address of Mr. . . . , his business connection or place of employment, the limit, paying habits (if it is an old account that has not been previously slow pay) and the ledger page is stamped "collection card" and the date of the checking put alongside of it.

The collection card is now returned to the collection department, where the collection manager goes over the data and determines what letter is to be written, or some other course of action taken, such as a call by a collector, a phone call, etc. As this person is thoroughly trained for collection work, it is certainly apparent that the matter receives intelligent thought.

Whatever action is taken, a record is placed on the collection card. If a response is received or a promise of payment by the customer, a record is also placed on the card and a new date is put on the corner of the collection card, corresponding to the promise given or according to the type of letter written and the location of the account (whether in the city, out of town, etc.). If at any time after the collection card has been made out the account is balanced, the collection card is placed in the balanced file, and as the Bookkeeping Department ledger page shows that a collection card has been made out, the collection card is always available for further use.

It may be that a delinquent account had been a good paying account for a time, then becomes slow pay again. In this event you pull out the card from the balanced file and you have your previous experience as a guide in your collection procedure. All letters must go out of the Collection Department the day the account had been checked; there must be no delay, otherwise you create the possibility of a complaint.

So far, considerable time has been given to the details of the collection department. Let us revert back to the Credit Department again, to consider some of its functions. Two things require considerable detail—they are "overlimits" and purchases upon accounts which have been closed because of slow pay.

Overlimits usually come to the Credit Department because the Bookkeeping Department when posting charges finds the account in excess of its limit, or where the amount being purchased by the customer is in excess of the limit in the authorization "Rand." In the first case, an overlimit slip is made out by the bookkeeper giving the name, address and amount open—date of last payment and application number. It is passed to a clerk who pulls the application and refers the slip and application to the Credit Manager for review.

In the second case (where the amount being purchased is in excess of its limit) the sales check is referred direct to the refer clerk in the Bookkeeping

Possibly 24 Credit Bureau Managers Were Wrong

AND

The Credit Managers of 140 Stores Erred In Adopting Telautograph Service Since 1929

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THEY WILL SAY

With Telautographs

- 1—We clear all references that are wanted in a rush over telautographs—in two minutes—only one person's time is consumed.
- 2—We give all ledger information.
- 3—We give complete reports only in emergencies.
- 4—We have eliminated direct telephone lines to the stores.
- 5—We have increased the number of standard written reports.
- 6—Some members get ledger information and still ask for standard reports to follow.
- 7—Operating costs are reduced.
- 8—Service to members is speeded up and mistakes in transmission are eliminated.
- 9—Warning notices are broadcast simultaneously.
- 10—Mechanical troubles are but a minute fraction of one per cent.

Without Telautographs

- 1—We would telephone regarding references in a rush—at least five minutes' time of 2 persons required—one at the store—the other at the Bureau.
- 2—To give all ledger information would necessitate the spelling of names, addresses, amounts, dates, etc., time required almost incalculable.
- 3—Complete reports could be typed and sent by messenger faster than they could be 'phoned correctly.
- 4—Direct leased telephone lines would be necessary.
- 5—Standard reports would not increase.
- 6—Complete ledger information could only be sent by messengers.
- 7—Operating costs would be higher because of the human element involved.
- 8—Service to members would be slower. Mistakes would be many.
- 9—Warning notices could not be broadcast simultaneously—nor correctly.
- 10—Mechanical troubles, even though few in number, would not be corrected quickly.

NOTE—The information given above voluntarily supplied by credit men using Telautographs.



Telautograph desk at Credit Bureau, Cincinnati, serving 5 great stores
Since this advertisement was prepared another great store has joined the Telautograph group

Telautograph Rentals Are About \$1.00 Per Day Per Store!

TELAUTOGRAPH CORPORATION

FACTORY and GENERAL OFFICES: 16 WEST SIXTY-FIRST STREET, NEW YORK, N. Y.

We Have Forty-Five Branch Offices Serving Over 450 Cities in the United States

Department—the check is either o.k'd. or referred with the application and a record of the account to the Credit Manager for review.

If in either case the ledger page is stamped "collection card," the collection card is also obtained for the Credit Manager. You see the Credit Manager has all information available to intelligently pass upon the extension of further credit.

If the merchandise is to be held or sent C. O. D. a letter is written accordingly by the Credit Department—if there is a collection card and the Credit Manager decides to send the merchandise or withhold sending it, he in either case, writes a letter and a record is placed on the collection card.

Reference was previously made to sales promotion work by the Credit Manager. This is today a very important function and requires much constructive thought by the Credit Manager. This work may be divided into three divisions:

First: New accounts.

Second: Inactive accounts.

Third: Increasing sales of active accounts.

Space will not permit me to go into detail concerning these thoughts, but I feel that the second and third items "Inactive accounts" and "Increased sales" are not always given the attention they should have. Statistics show that in any organization having charge accounts—at least 10% of the accounts become inactive every month. Therefore, incessant activity is required to retain as many of them as possible. The reasons back of the loss are usually deaths, marriages, removals, unadjusted complaints, dissatisfaction, etc.

Increased purchasing by active accounts is easily controlled by having your sales departments coded and having your Bookkeeping Department give you a list each month of accounts which have failed during a previous period to purchase in certain departments. Then send a form letter which is coded according to the department not patronized. This method always results in increased sales.

I think you have been given conclusive proof that all this work is of a specialized nature and that its many details, whether in the credit or collection department, should be done by those properly trained to handle it and not have one person handle numerous details.



Kollex-Its

The Modern Collection
Stickers, collect accounts
and retain the customer.

Manufactured and Sold by

W. H. BATHGATE

942 Market Street

San Francisco, Calif.

Illustrated Circular of entire line sent on request.

New York State Credit Grantors and Bureau Managers Will Meet February 7-8-9

The annual meeting of the Credit Executives and Bureau Managers of New York State will be held in Binghamton, New York, February 7-8-9.

The advance program released by Miss Bess R. Havens of the Binghamton Chamber of Commerce, indicates a program which will repay every member attending. It fairly bristles with educational features and entertainment after conference hours.

Among the speakers listed are: G. H. Hulse, Secretary and Educational Director, National Retail Credit Association, St. Louis; James D. Hays, Chairman of the Service Department, N. R. C. A., Harrisburg, Pa.; Charles J. Martin, Field Representative of the N. R. C. A.; A. B. Buckeridge, General Manager of the Credit Bureau of Greater New York, Inc.; Lloyd K. Garrison, United States Department of Justice; Edwin R. Weeks, President of the National Retail Music Dealers Association.

A large attendance is anticipated. Send your reservations to Miss Bess R. Havens, Binghamton Chamber of Commerce, Binghamton, New York.

» » »

Hidden Losses on Delinquent Accounts

A matter that is giving business most concern today is its hidden losses. The items charged off to profit and loss are visible. The mark-downs on stocks due to falling prices and other causes are likewise visible. But the hidden losses, those occasioned by debtors permitting their accounts to run beyond the point where profits are entirely eliminated, are those of greatest moment.

Merchants cannot be permanently successful who do not establish definite credit terms and adhere to them religiously. Credit should be extended only to those who can and will pay as agreed.

Chicago Collections

Should Be Sent to

Credit Service Corporation

Collection Department of the Chicago
Credit Bureau, Inc., and Credit Reference
Exchange, Inc.

✕

The Official Credit Reporting Service of the
Associated Retail Credit Men of Chicago
35 South Dearborn Street, Chicago, Ill.

Telephone, Randolph 2400

Credit Reports

Collections

THE DISTRIBUTION OF THE CONSUMER'S DOLLAR

By HORACE W. POTE

Consulting Economist to National Retail
Credit Association

MORE than half of the consumer's dollar which is spent at retail stores finds its way into three main channels of trade—Foods, Automotive, and General Merchandise. This fact is illustrated by the accompanying chart constructed from data appearing in the Bureau of Census Bulletin of the Department of Commerce on the United States Summary of Retail Distribution for 1930.

Foods which have comprised sales from such outlets as grocers, meat markets, dairy product shops, bakeries and the like have headed the list with nearly twenty-three cents out of every dollar. Incidentally, these food outlets numbering a half million contain 61,000 chain units or only 12 per cent of the total.

The statistics found in this report cited indicated that grocery stores without meat markets attached predominated in the national market. This is taken

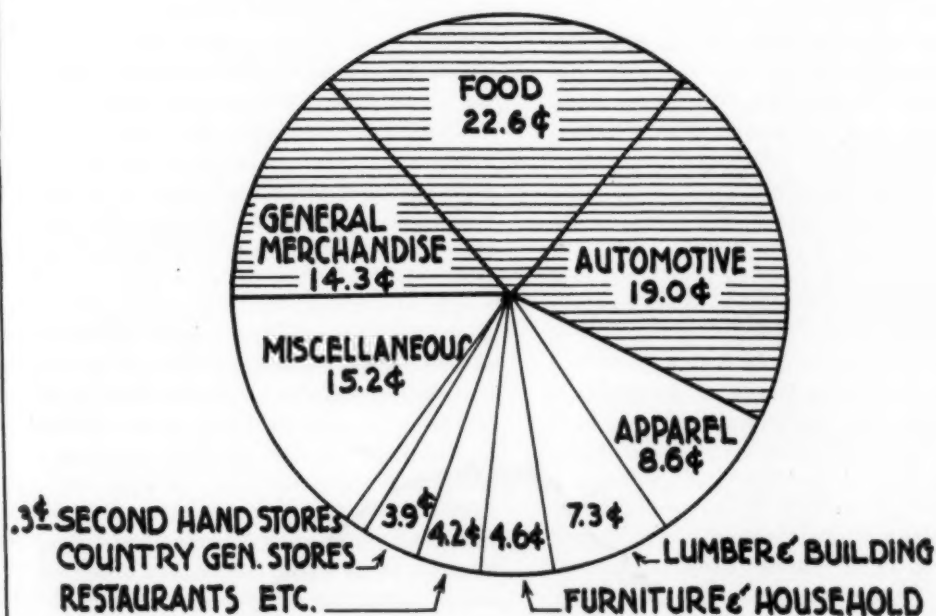
to mean such form of store management is judged the most popular in the eleven billion food market.

The Automotive Group which included dealers in motor cars, tires, batteries, and accessories and garages and service stations, collected nineteen cents out of every dollar left with the retailers. Perhaps this large expenditure bears out the suspicions modern students of economics have had about the rampant desire of the American family for an automobile. Once the family rides, continuous expense for operation and maintenance draws money into retail trade channels.

General Merchandise, represented mainly by department store and the variety (5c to \$1.00), sales, was the third largest slice in the statistical "pie" chart.

The Miscellaneous group owed its prominence to Drugs, Fuels, Feed, Jewelry and Radio sales.

DISTRIBUTION OF THE CONSUMER PURCHASING DOLLAR





"A Dollar Down and » »"

By LOUIS H. DAVIS

Manager, Mutual Credit Clothing Co.
Brooklyn, N. Y.

AND so, the consumer's credit, convenient payment plan, deferred payments, budget or thrift plan, or call it what you will, each being a nomenclature for everyday installment credits, has not collapsed from its so-called weak construction in this current period of prolonged economic readjustment.

Stilled are the voices of those economists, bankers, and business men who so recently bemoaned the inevitable spread of installment credits and who prophesied naught but threatening menace in its subsequent expansion of purchasing from industry to industry which they felt would cease in a period of business depression and thereby accentuate the spread of business stagnation.

The skeptics who maintained that when a severe depression in business would confront us, with consequent unemployment, a complete collapse of outstanding installment credits would be the inevitable result, are now unhesitant to concede and recognize the soundness and economic stability of installment credits.

The recent application of the installment method of payment to industries and types of merchandise not heretofore considered adaptable to this mode of selling indicates a confirmation of the soundness of the installment plan. Like any other economic practice, in the ultimate analysis, the merits of the installment business depend on the individual human being.

Much has been said about its abuse from time to time. Yet speaking in the light of experience in our organization during "boom times" as well as "bum times," though free from both prejudice and pre-conceptions, I can say that by a judicious blending of the everyday fundamentals of good business tactics and a credit policy based upon an understanding of the needs and limitations of the ultimate consumer, we have been able to build up a business which, contrary to popular belief, has proved itself a service to the customer without the usual "exorbitant" carrying charge which one anticipates.

While it is true that in the average installment

business consideration must be given to the utility, the depreciation, the durability and resale value of the merchandise being sold, the contrary is the fact in our business.

Jewelry, furniture, automobiles and certain labor-saving commodities have a definite replevin value which is invariably a potent factor in the consideration of the extension of credit. Engaged in the sale of apparel for every member of the family, we must necessarily disregard the replevin or redeemable value because there is none.

Neither is the clothing sold on chattel mortgage basis nor any other form of conditional sale. Title is granted outright to the purchaser.

The hazard and risk involved would obviously seem to be unusually high, yet factual experience shows that our bad debt losses have been held down to a mere 2% and that neither our volume of business nor collections have fluctuated to any considerable extent because of the existing abnormal business condition we are passing through. This is in accord with Prof. Seligman's opinion that the honest and capable working man is no greater risk, within the limit of his possible earnings, than the honest and capable business man.

The natural suggestion which may be made at this time is: "Since the average wage earner with whom you do business has had his income reduced, your business should profit by this condition because of the opportunity for sales to an increased number of prospects."

The answer is—while we do have a greater proportion of applicants seeking credit accommodations for the first time we find that after our regular check-up more applicants are rejected than would usually be the case. No, we have not tightened up in our credit checking nor have we at any time in our business history thrown the gates wide open.

We believe that the cardinal principles governing credit are sound and fundamental. They are the same in good times and in bad times, and are based wholly upon our customers' ability and willingness to pay.

The following factors are of prime importance in considering the extension of credit upon a commodity such as clothing: Clothing being a necessity to the individual, we are interested not only in the initial sale but in repeat sales. Ordinarily one man's luxury is another man's necessity. But not so with the natural human instinct to be well dressed . . . to appear presentable before one's associates . . . the spirit of "keeping up with the Joneses."

No installment plan can be stronger than its weakest element and its strongest element may be weakened by excessive pressure or by abuse. Instead of yelling "NO MONEY DOWN," "ONE YEAR TO PAY," "PAY AT YOUR CONVENIENCE," or "NAME YOUR OWN TERMS," we have profited by the experiences of others as culled from available statistics which show that in instances where down payments have been reduced or the terms of payment extended, a marked increase in delinquent accounts was the inevitable result.

We therefore offer no standard terms except the maximum period of as much as ten months to pay on larger purchases with a minimum of \$1.00 weekly. Customers are encouraged to pay down as substantial a payment as possible at the time of purchase, so that their equity can be greater, and they are urged to complete their payments of the balance as quickly as possible.

As a protection against the possibility of the purchaser's cessation of payment occasioned by loss of income we seek additional protection wherever possible by endorsements. Because we do not sell indiscriminately, our investigation is not perfunctory but rather a thorough consideration concerning the customer's moral soundness, earning capacity, nature and length of employment, and record of similar installment obligations with other merchants.

These considerations are deemed pertinent and constitute the "collateral" accepted as the basis for credit approval. Of course where the purchaser has had previous transactions with our store we use the past record as a guide and at the same time verify the fact that there is still an income which will enable the customer to pay the obligation incurred.

In the matter of collections we have found that our collection policy must because of its very nature be somewhat flexible and elastic. I qualify this statement by saying that where we find no curtailment of regular employment and therefore no apparent, valid reason for any delinquency, a strict adherence to the terms of payment agreed upon at the time of purchase is invariably demanded.

However where it is necessary that considerable latitude be exercised by a generous allowance of time, where the circumstances warrant it, we do not hesitate to grant such extension.

Five Special Letters to Collect the Delinquent Accounts of 1931

Five special letters—and a complete plan—specially written for use immediately after the close of 1931 accounts. Your usual end-of-the-year collection problem is going to be much harder this year on account of present conditions.

You will need the help of these letters, based on practical experience and a thorough understanding of "New Year" collection problems.

These letters—and the accompanying plan—are part of the December issue of the Better Letters Service. Your subscription now will bring you this issue in time for use immediately after the holidays.

In addition you'll get:

1. Each month a four-page Better Letters Bulletin—four pages of constructive letter-ideas for better and quicker collections, for developing new charge accounts, for stimulating present charge accounts and reviving inactive ones.
2. Each month, copy for (a) one new letter to solicit new charge accounts and (b) one new letter to revive inactive accounts.
3. Every three months, copy for six new collection letters—letters that will bring you *new ideas* on collections.

\$20 a Year

Order it on approval—examine it—send it back if you're not satisfied and we'll cancel the bill.

Address:

THE BETTER LETTERS SERVICE

NATIONAL RETAIL CREDIT ASSOCIATION

1218 OLIVE ST.

ST. LOUIS

In this respect I may say that our collection efforts are based upon the policy of continuous, tactful resale of the merchandise involved with particular emphasis stressing the pride of ownership and the advantageous opportunity the customer has to continue to be ever well dressed if the credit standing is properly protected.

Instead of the usual "hammer-and-tongs" method, we exercise and inject into all collection efforts a liberal understanding of the human element; without being too informal we yet avoid being too "cold"; without being too flippant we remain impressive in our demands. Every collection letter is primarily a sales letter and incidentally a collection letter.

From our merchandising angle, we take cognizance of the fact that present-day installment selling was born of competition and lives and grows only by competition. We have answered the demands of the price-conscious public the same way that the cash stores have met this problem.

Our price level has been drastically cut so that we can truthfully say that we have made installment buying at this store a thrift and not a spend-thrift plan and that we are not merely competing with organizations engaged only in our mode of selling to the consumer but we are in direct competition with the values offered by any reputable cash store.

Our promotion of new accounts in the form of newspaper, subway, and direct mail advertising is directed primarily to:

(a) Those who must of necessity eventually turn to the installment plan in order to be decently dressed and because the initial cost of the needed garment is too high for the immediate cash resources of the consumer.

(b) Those who through skimping and saving manage to purchase apparel just barely sufficient for their immediate needs without regard to quality.

To both classes we endeavor to convey that the installment method of purchasing, "Makes Waiting Unnecessary" and that "You Don't Need Ready Cash." Thus they become imbued with the simplicity of avoiding financial strain by paying out of their income regular small commitments, either weekly, semimonthly or monthly, and continue to make purchases from time to time according to their needs.

Yes, the installment business in the abstract has been heralded as too artificial a sales stimulant; it was claimed that its inflationary effect would be of such magnitude that it would serve as an unbearable yoke impeding a return to normal in a period of economic depression. Yet I submit that this means of stimulating distribution and consumption is no longer a phenomenon at which to look askance but rather an established cog in the business cycle.

Educating the Future Users of Credit

E. J. MacEwan, Manager of the Morris County Credit Bureau, Morristown, N. J., has developed a plan for reaching the future users of credit with the story of "prompt pay and good credit."

We quote from his letter of October 28:

"I am trying a little experiment which may be interesting to other bureau managers and I thought perhaps you might care to use a story of this idea in the *Credit World*.

"Last Friday I gave a talk on 'Your Credit and the Credit Bureau' to all of the pupils of the Bernardsville High School, numbering 360. This talk will be given in nine other high schools in our territory in an attempt to inform the public, through the school children, and as a result of subsequent newspaper publicity, just what good credit means."

The Silent Reminder!



This beautiful sign, with its message-carrying slogan, should occupy a prominent place in the office of every Credit Manager

Beveled plate glass, royal blue background, with gold letters and emblem, hung by brass chain, size 10x10 inches.

**Price \$2.00 Each
Postpaid**

Shield "Transfer" Signs, too, on doors or windows. Same as above, but with beautiful gold-scroll border. Special price: 20c each.

**National Retail Credit Association
1218 Olive Street, St. Louis, Mo.**

YOUR CREDIT AND THE CREDIT BUREAU

By E. J. MacEWAN

Manager, Morris County Credit Bureau
Morristown, N. J.

An Address Before the Student Body of the Bernardsville (N. J.) High School, October 23, 1931



I AM here this morning to tell you a secret. Perhaps I shouldn't tell it to you. In all probability, what I am going to say should be said only to adults because in times past the subject which I wish to explain has never been discussed in a group of this kind. Despite the fact that your teachers are all college graduates, I doubt if many of them have ever heard this secret.

Recently I discussed this subject with twenty graduates of business schools and colleges and they all admitted that they were unaware of the existence of the force which we will attempt to explain.

Credit is the foundation of all business of this nation and of all individual lines of business from the largest manufacturer down to the smallest retail store; hence, this subject should occupy a very important part in your daily thoughts. As a matter of fact, bankers and economists have said that our present depression was caused to a large extent by the loose granting of credits.

But what, you will ask, does credit and the credit bureau, as applied to you and me, our fathers and our mothers, our relatives and our friends, have to do with international problems? That is the very point that I wish to explain and which up until now has always been a secret.

I am going to differ somewhat from the girl who runs up to another girl and says in a very low voice, "I have a secret I am going to tell you; now promise you won't tell." I am going to ask you to repeat this secret as many times as you will and care to, in order that the public, as represented by your friends and your families, will have a clear conception of how important in your daily life is the word "credit."

Even though many of you are studying book-keeping, and even though you have learned to "debit here and credit there," I doubt if any of you know the real fundamental meaning of credit.

Webster defines it as "belief; honor; trust reposed; sold on trust; time allowed for payment of

goods sold"; Webster is fundamentally correct, but a simpler definition in my opinion is that credit is "character" plus "what you own."

Most of us are living from month to month on credit; credit that our fathers and mothers have built up over a period of years through paying their bills promptly. Perhaps Mother has an account with the grocer which she or Father pays as the bill is rendered to her each month. Perhaps she has an account with the milkman, the butcher, the baker, the department store, the electric light company, the gas company and the water company. All give us credit. We even pay our taxes on credit. In other words anything which we don't pay for in advance is credit. Perhaps it is in one form; perhaps in another.

I remember the first time I ever asked for credit. I believe I was about nine years old and my first credit dealing was with my father from whom I asked to borrow thirty cents. I had no assets which could be used as security for the loan. I owned no property nor did I have any amount of money in the bank, as I recall it now. All I had to offer as security for that thirty cents was my character.

In those days the average family thought it was a disgraceful thing to owe money. My dad of course asked me what I wanted it for and I told him that another boy was making considerable money each week by buying *Saturday Evening Posts* for three cents and selling them for five cents. I was quite sure I could sell ten of them and that was what I wanted the money for.

He gave me the thirty cents. I bought the ten *Saturday Evening Posts* and sold them, making a profit of twenty cents on the entire transaction. This was my first credit transaction. I was so proud of the fact that I had been able to make twenty cents that I promptly paid my father and the next week used my own capital of twenty cents and bought six copies selling them before I bought any additional copies.

Unwittingly I earned the respect of my father by paying him back so quickly and my credit reputation, with him at least, was thus successfully established.

Few of you, at your age, have ever had the occasion to ask for credit. If you do have, remember this: When you do ask for it, first decide in your own mind how promptly you can repay the loan—then take care of your promise.

Business has changed materially during the last few years and particularly during the last two years. In smaller communities where everyone knew everyone else, it has been exceedingly simple for a boy (or a girl) to walk in a store and buy merchandise and charge it to his (or her) father's or mother's account. Perhaps if there was no account the merchant, knowing the family well, would open one anyway.

It happens to be illegal for a merchant to open an account with anyone under twenty-one, unless it is done with the permission of the parents. Accordingly, merchants today are using extreme care in opening accounts unless they have the written sanction of the parents who are then held responsible.

In the past there has been considerable discrimination by business and professional people. I, perhaps, coming from a poor family, would be expected to pay my bill within thirty days which, I might add right here, is the standard time or "terms" on which all merchandise is sold. You, perhaps, coming from a family of wealth would never be asked to pay your bill until it had run for months because the merchant was afraid of offending you and your family and losing your business.

Today the business (and professional) man has learned that the poor family's money means just as much to him as the wealthy family's money and that his profits entirely vanish if his customers take over six months to pay their bills.

With the life of even the smaller communities becoming more and more complex, with transportation facilities reaching the point they have reached today, where people can be living here today and in Boston tomorrow morning, credit practices have necessarily had to change in order to keep pace with our rapidly changing transportation methods and growing communities.

A few years ago, had I been engaged in business in this town, I could have safely said, "I know everybody in town." Today I absolutely defy the best-informed business or professional man to prove that he actually knows more than one-third of the local people.

A few years ago everybody in town traded solely in town. Today, while many people have accounts with local stores, they also have accounts perhaps in Plainfield, Morristown, Newark or New York.

If they have a son attending the University of California, the son may have accounts in their name in cities in California.

Perhaps you are patronizing a mail-order house in Cleveland, St. Louis or Chicago and have been extended credit by firms in those distant cities. Automobile financing may be done through a firm in Boston, and there you have the possible present-day picture of consumer credit extension.

A few years ago when credit selling began to increase so materially, many changes in our consumer credit system had to be made. Large businesses and professions found that some sort of national records had to be kept to enable the business man in Chicago, who is asked, by a man who recently moved there from New York, for credit, to check up on that man's credit record in New York City.

(Continued on page 30.)

Give the National Emblem—

A fitting Christmas gift for fellow-members!

LAPEL BUTTON OR PIN



Solid Gold, button for men, pin for women, \$2.00

What Christmas gift would be more acceptable to a credit grantor than a solid gold emblem proclaiming his membership in the National Retail Credit Association?

Here's a practical "lifetime" gift that the recipient will be proud to own and wear.

WATCH CHARM



Solid Gold with ring for attaching, \$6.00

The National Office is also prepared to furnish—on special order—loving cups, plaques and other tokens bearing the National emblem, for special gift occasions.

EMBLEM RINGS



Solid Gold, shield style, plain, \$9.00



Solid Gold, signet style, plain or hammered, \$9.00

Order from
National Retail Credit Association

1218 Olive St.

St. Louis, Mo.

WORTH NOTING « «

A Digest of Credit News For Quick Reading

The United States Treasury deficit is growing at the rate of five and one-half million dollars a day.

» » »

According to the Bureau of Census there were 29,980,146 families in the United States in April, 1930, of which 12,078,345 or 40.3% owned radio sets.

» » »

New York, Pennsylvania and Illinois report more than one million families in each state owning radios.

» » »

Only 1 $\frac{3}{4}$ % of the population paid federal income taxes in 1930, as compared with 2% in 1929.

» » »

The numbers of taxable returns on income tax in 1930 fell from 2,465,385 in 1929 to 1,946,675 in 1930, a decrease of 21%.

» » »

Net earnings of the first one hundred and seventy-four large industrial corporations for the first nine months of this year, showed a decrease of 45.1% as compared with the same period in 1930.

» » »

Retail credit bureaus in twenty-two cities have arranged for "Pay-Promptly" advertising campaigns to begin in January.

» » »

Bankers say \$600,000,000 have been released to twelve million Christmas Club members. This should help the retail trade.

» » »

It is estimated 176,000 unemployed will be given temporary employment by the Post Office Department in handling the Christmas mail.

» » »

President Hoover's suggestion of a credit arrangement for the purchase of homes on a liberalized installment plan, is an endorsement of all forms of installing selling on a sound credit basis.

Possibly the department store of the future will install a real estate department.

» » »

The Controllers' Congress of the National Retail Dry Goods Association has just completed a survey of the furniture departments of its member stores. It brings the rather startling information that most of these departments operated during 1930 at an actual loss, not because of bad credits, but because of sales and other overhead expense.

Every Retailer Should Read this Booklet on Bankruptcy Reform

One of the problems before this Congress of vital interest to every retailer is the proposed bankruptcy law reform. Every grantor of consumer credit should give the National Association's efforts to have this law amended his whole-hearted support.

Bankruptcy Reform—The Case for the Retailer, a thirty-two page booklet written by R. Preston Shealey of our Legislative Committee, presents the case of the retailer in clear, convincing form.

We would like to see this booklet in the hands of every retailer—and every member of the present Congress. Your National Office has obtained a quantity of these booklets for distribution to members at the cost of printing—25 cents a copy.

» » »

National Thrift Week, January 17-23, Inclusive

The National Thrift Committee announces that "National Thrift Week" will be held January 17 to 23, inclusive.

Tuesday, January 19, is designated as "National Budget Day" by the committee "to emphasize the value of estimating financial expenditures in advance." "Pay Overdue Bills Today" is suggested as a by-line for this day.

» » »

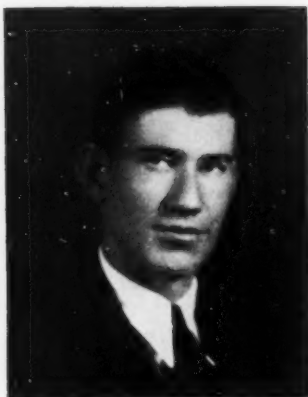
Younts President of Miami Association

On December 1, the Retail Credit Managers of Miami, Florida, effected a complete reorganization and will hereafter operate as "The Retail Credit Association."

Mr. C. P. Younts, who as a field man and representative of the National Office, visited many sections of the country, was elected President of the new organization.

Our National members will recognize Mr. Younts as the Credit Manager of the Frank T. Budge Company, the Miami wholesale and retail hardware firm with a national reputation, and recall the excellent collection percentages he turned in on the national survey.

We have every reason to feel that under the leadership of Mr. Younts the retail credit interests of Miami will build an organization of which the N. R. C. A. will be proud.



ADVANTAGES OF PAYING YOUR BILLS PROMPTLY

By JOHN W. RUFF

Texas Christian University

One of the Prize-Winning Essays in a School Contest
Conducted by the Fort Worth Retail Merchants Association

A WHISTLE shrieks in the night, and into Uncertainty Canyon rushes the Midnight Flier, slowing slightly for the most perilous and lonely strip of roadbed on the whole run. Like some monster of antiquity, the panting locomotive, dragging its string of darkened coaches behind, thunders through the night.

The engineer in the cab strains eyes ahead upon the steel rails which gleam under the beam of the headlight. They are nearing the trestle now; the pace is again slackened.

Suddenly there is a screaming of brakes, a rending of timbers and girders, a grinding, crunching roar as the coaches plunge into the chasm. Then a hissing of steam, the agonized cries of the dying, and the moaning of the night wind through the canyon.

What was the cause of this tragedy? The answer is quite simple. The trestle was old and in ill repair. It could no longer bear the weight of trains.

Mr. Average Man immediately condemns the railroad company, the party upon which responsibility lies. His condemnation is justified. No railroad company should allow its passengers to be carried over unsafe roadbeds. Few do.

Mr. Average Man has been quick to denounce the policy of the railroad company, but what about the track over which he runs his own trains? Are his trestles strong? Will they bear the burden? Will his credit standing bear the burden of his bills, or are his bills constantly growing heavier while his credit standing grows weaker?

If the latter be true, Mr. Average Man is rushing, as did the Midnight Flier, toward destruction.

Approximately eighty per cent of the business in the United States is done on credit. This is good. Credit has proved to be a flexible medium for exchange which allows for the apportionment of the pay check. It allows the merchant to increase his sales and allows the customer to increase his purchases. But this cannot go on merrily forever. There is a day of reckoning.

Bills must be paid. The credit standing of Mr. Average Man must be kept in condition and never undermined by the accrual of large bills. If the burden becomes too great for his credit standing, worry, sleepless nights, and dodging of creditors are in store for Mr. Average Man. Also there is the ultimate end to be considered. The trestle, a man's credit standing, crashes; the creditors close in; bankruptcy follows; catastrophe.

A check shows that Mr. Average Man has lived beyond his means. Instead of paying his bills when due he has preferred to increase his purchases. When asked for a remittance, he has been insulted, but has gone on merrily buying. He has not kept his roadbed in condition.

On the other hand, the man who buys on a sane basis and pays his bills promptly finds that his roadbed is in splendid repair. It is easy for him to obtain credit anywhere. In fact, his trade is sought after. His credit rating is not only high, but he stands well in his community. His nights are not of the sleepless variety and he has no fear of tomorrow.

It is indeed a wonderful feeling of satisfaction and security to know that one's trestles are strong and one's trains are not too heavy for the track. This is the advantage of paying one's bills promptly.

» » »

Fort Worth Conducts "Prompt Pay" Essay Contest

The pay-prompt committee of the Retail Merchants Association, Fort Worth, Texas, has just completed an essay contest among students in local elementary schools, high schools and colleges, on "the advantages of paying your bills promptly."

Although not compulsory on the part of the students to write these essays, over seven hundred were received. Cash prizes aggregating one hundred dollars were offered for the best papers on this subject.

Some splendid papers were received and we are reproducing above one of the prize winners.

THE PRESIDENT'S MESSAGE

FRANK BATTY

President National Retail Credit Association



Christmas

"AND numerous indeed are the hearts to which Christmas brings a brief season of happiness and enjoyment. How many families whose members have been dispersed and scattered far and wide, in the restless struggle of life, are then reunited!

"They meet once again in that happy state of companionship and good will, which is a source of such pure and unalloyed delight, and one so incompatible with the cares and sorrows of the world, that the religious belief of the most civilized nations, and the rude traditions of the roughest savages, alike number it among the first days of a future state of existence, provided for the blest and happy. How many old recollections, and how many dormant sympathies, Christmas time awakens.

"We write these words now, many miles distant from the spot at which, year after year, we meet on that day, a merry and joyous circle.

"Many of the hearts that throbbed so gaily then, have ceased to beat; many of the looks that shone so brightly then, have ceased to glow; the hands we grasped, have grown cold; the eyes we sought, have hid their lustre in the grave; and yet the old house, the room, the merry voices and smiling faces, the jest, the laugh, the most minute and trivial circumstance connected with those happy meetings, crowd upon our mind at each recurrence of the season, as if the last assemblage had been yesterday.

"Happy, happy Christmas, that can win us back to the delusions of our childish days, recall to the old man the pleasures of his youth, and transport the traveler back to his own fireside and quiet home."

—Charles Dickens.

Collecting Delinquent Accounts and Locating "Skips" » » by Telegraph

By H. C. FARMER

Western Union Telegraph Co., New York City

Digest of Address Before 10th Annual Conference, New England Credit Grantors and Bureau Managers, Poland Springs, Me., Sept. 14-16, 1931

IT IS hard to find a plan that is 100% perfect. But the nearest approach to an ideal method is one that employs telegrams as a supplement to routine form letters, calls by collectors and attorneys as well as other collection instruments.

The telegram is universally recognized as an urgent communication. It is emphatic without being offensive. It impresses the debtor with the necessity of making a remittance or some adequate acknowledgment without affecting his good will. The telegram is effective without threats or severity of words. It should be gentle but firm, to impress the debtor that you fully expect him to live up to his agreement and make payment as arranged.

In the matter of "Skip Accounts" which are the aftermath of "Dead Beats": Here the telegram gets in where the collector may ring the bell in vain. Neighbors know him and will give him no information. But the telegram is important. It is delivered by a messenger whose uniform announces the urgency of the message. The yellow envelope and blank, significant of importance, command attention and get results. Neighbors and friends eagerly supply the address or information to speed the telegram's delivery. You are advised of the new address as well as of our failure to deliver the message.

Experience has taught us the best results are accomplished when telegrams are delivered to "Dead Beats" and "Skips" between 5:30 and 8:00 p.m. "Paid" messages get better attention than those sent "collect."

Western Union has prepared a booklet called "Collecting Delinquent Accounts by Telegraph." This contains 16 message texts that have pulled for others. You may adapt them to fit your requirements or prepare messages of your own phrasing.

The correct way to test the plan is to select a list including "Slow Pays," "Dead Beats," and "Skips," addressing messages on the latter to the last reliable address.

EDITOR'S NOTE: S. M. Boothby, manager Lewiston-Auburn Credit Association, Lewiston, Maine, sends the following comment on the above discussion:

"Three of our members, who were present and listened to this talk and discussion, came home and tried it on some of their old accounts, which were three years old. In less than three hours' time they had had replies from seven out of ten!"



How to collect overdue accounts

-at a cost often as low as ½ of 1%
-from as high as 95% of the accounts

Cover Page—Western Union Booklet

Give the Bureau Man A "Chance to Climb"

By A. POTENTIAL X. BUREAUMAN

ONE of the greatest assets of a business enterprise is the personnel. If this axiom applies to most types of business, it is certainly true in purely service organizations, and credit bureaus are distinctly of this class.

A green employee is an expense to his employers for some time until he is familiar with the work. Therefore, the beginner's pay is usually small though possibly more than he is worth. He is willing to accept this wage, hoping that as his worth increases so will his salary.

Many of his tasks are menial but they give him an understanding of the enterprise, and as vacancies occur higher up, he has his chance among others to fill them.

Business men accept this situation in their own organizations, but when they combine with others into an association, the idea apparently does not carry over.

In a period of six months, according to the changes in the roster of the Service Department of the National Association, there was recorded the hiring of forty new managers by member bureaus. On an annual basis this would equal eighty changes to 1,100 bureaus or a net turnover of 7%. Many new bureaus were shown but these are not included in the calculation.

Yet, in how many cases did the bureau attempt to secure the services of men experienced in the work? There are many experienced managers desiring work in better positions than they are now occupying, but they do not hear of vacancies until the places are filled. Some have written all over the country in order to be notified of vacancies but without results.

If bureau management is a task that can be learned in thirty days most (or all) of us are overpaid. If it requires a longer time than that, only in unusual cases should the services of an inexperienced man be secured.

In order to secure the experience one should be an assistant in a large bureau, or possibly manage a very small one. When qualified he should be notified of vacancies in towns large enough to be a promotion and have the opportunity to sell himself. If his record or sales ability will not secure the position for him, at least he has had the chance,

and the hiring bureau has selected someone else whose experiments will not wreck it.

Probably one of the most important functions of a manager is the selling and reselling of members on the use of the services offered. The smaller the community the more difficult this task is, and yet the fellow who wets his feet in this vocation in a small town is rarely considered by larger places.

Many of the small town bureaus require of necessity that the manager spend a good share of his time doing routine work that can easily be handled by a fifteen-dollar-a-week girl. Good experience, yes, but a fine incentive for anyone of average intelligence to look forward to for the balance of his life.

If we are to build bureaus to perfection and sell users on the idea of one national set-up for consumer reporting we must have the personnel to do it. Why then do the members of the board of a bureau ignore the principles that they use in their own business and select the inexperienced to manage the bureau?

Bureaus should be classified by the size of the city and the quality of service rendered:

- "A"—cities of 300,000 or over
- "B"—cities of 100,000 to 300,000
- "C"—cities of 30,000 to 100,000
- "D"—cities of 12,000 to 30,000
- "E"—cities of 12,000 or under
- "1"—Bureaus giving most of the services and checked as to quality.
- "2"—Bureaus giving an average number of the services, and of fair quality.
- "3"—Bureaus not giving enough of the services, and quality poor.

When a city of 50,000 needed a manager they could apply to the National and secure a list of the managers of C-1 and D-1 class bureaus, who had listed themselves as desiring advancement.

Under present business conditions it is easy to draw a good class of men into bureau work, as it is a case of "any old port in a storm"; but when normalcy returns, what is the incentive for a young man to enter bureau work in a small community and be stuck there forever?



WASHINGTON BULLETIN



R. PRESTON SHEALEY

Washington Counsel, National Retail Credit Association

FOREWORD

EVERY day brings fresh evidence of important legislative problems pressing for solution. But Seventy-Second Congress is performing in the year of a presidential election and in forecasting what is to come out of the legislative hopper, that fact must always be borne in mind.

Congress seems to be veering around toward a taxation measure and there are indications that the measure when it finally becomes law will be in the main, economically sound. Whether it be sound, however, or unsound, still it is a federal taxation increase.

The real problem is, however, not so much a matter of how the revenue shall be raised as to how it shall be spent. In many sections of the country, this corollary to taxation is rapidly forging to the front and farmers especially are inquiring as to how their taxes are being spent.

If farm taxation can be reduced, and Dr. Allin's article in this issue of *Credit World* shows that it can, then the farmer will have just that much more money to spend with his local retail distributor for legitimate necessities.

Legislative

(a) Muscle Shoals will again be taken for a ride at this session of Congress. The Muscle Shoals Commission in its unanimous report of November 19 recommended "private operation under lease contracts through competitive negotiation" and stated that it will be possible to make such leases upon satisfactory terms to the government.

Senator Norris, however, has criticised the commission's report so severely that the fight ahead is plainly apparent. The controversy apparently revolves around transmission of the power generated at Muscle Shoals as much as it does around the operation of the war-time plant built by the government at that point.

(b) The oil states may ask Congress for legislation authorizing them to enter into conservation compacts among themselves and it has been known for some time that this may be proposed in Congress.

Now comes the cotton group of states and they

are said to be planning not only for legislation authorizing compacts between the cotton growing states but also to bring into the picture the foreign producers. In explanation of this international phase of the matter it is said that while nearly eleven million bales of cotton are produced outside of the United States, of the foreign producing countries only Egypt with 1,329,000 bales has passed a cotton restriction measure.

(c) Taxation, tariff, Muscle Shoals, and conservation compacts are of course of great importance, as in the one case they touch a sensitive nerve, the pocketbook, and in the other the subject of restricting the present overproduction in basic commodities, but Congress already has other important measures to talk about.

Some of them are the railroads, the motor trucks and busses and inland waterways, equalization and export debenture plans to take care of the farm surplus; important changes in our federal reserve system to guard against overspeculation; bankruptcy; and possibly an additional soldiers' bonus.

Also, it would not occasion much surprise if a treaty is signed with Canada for the construction of the Great Lakes-to-the-Sea ship canal in time for submission to Congress in this session. Of course, reparations and foreign debts are bound to be discussed at length.

Departmental

(a) The postal deficit is increasing with dwindling revenues and it is almost certain that by the time this bulletin appears in print the annual report of the Postmaster General will have been made public and Postmaster General Brown will be found to have renewed his recommendation for a 25% increase in first-class mail, the equivalent of 2½¢ for the present 2¢ stamp.

He is not expected at this time, however, to recommend any change in the present return registry receipt law. The deficit in the revenues of the Post Office Department, coupled with the statement that expenditures are continuing at the rate prevailing in previous years, notwithstanding the reduction in revenue, brings more to the fore the question of increased efficiency in government departments through consolidation.

Increased force will be lent to the movement for consolidating executive departments and bureaus; notably the War and Navy departments; results of consolidation of all veterans' activities into one bureau authorized by the last Congress, bears out forecasts in that regard.

It is said that current expenditures for upkeep, maintenance, and construction in military and naval affairs is running around \$750,000,000 annually.

(b) The Tariff Commission has had before it since Congress adjourned two important investigations, oil and copper importations. The report of the commission is expected to be filed shortly after Congress convenes but it should be borne in mind that as both oil and copper are on the free list the commission has not the power to recommend rates or fix duties where none now exist.

Court Decisions

(a) A decision of outstanding importance was handed down by the Supreme Court on November 3 in *Bandini Petroleum Co. v. Superior Court of California*, affirming the decision of the state court and upholding the validity of the California oil and gas conservation statute.

The appellant company attacked the state conservation orders upon a number of grounds; among others, that these orders interfered with individual operation of oil and gas leases and therefore contravened rights guaranteed under the Fourteenth Amendment.

The court in its decision judicially noticed that excessive drilling by one lessor in an oil field may interfere with the rights of another lessor in the same field and points out that natural gas in an oil field carefully used increases the amount of oil obtained from the field; the gas acting as a sort of pump to force up the oil.

The Supreme Court did not find it necessary to determine whether state oil conservation statutes predicated upon conservation as a matter of public policy are likewise valid.

(b) The Circuit Court of Appeals, Sixth Circuit, in *Ishberg, Bankrupt v. Butler Bros.*, has recently decided that under the provisions of the present act confirmation of a composition in bankruptcy is not equivalent to a discharge and therefore confirmation of a composition does not bar a later confirmation of composition within six years. As the law now stands, a bankrupt cannot obtain two discharges within a six-year period.

(c) In a recent tax case before the Circuit Court of Appeals for the Sixth District the action of the Board of Tax Appeals in a matter of evidence to show the value of certain property as of March 1, 1913, in determining a gain or loss tax, was attacked as arbitrary. In the instant case the court found that the Board of Tax Appeals had given

the petitioner full opportunity to be heard and that it did not act without evidence.

It therefore appears that if a taxpayer is granted ample opportunity to present factual evidence before the Board of Tax Appeals and that substantial evidence has been actually before the Board the finding of fact by the Board will not be overturned upon review by a Circuit Court of Appeals. In its decision the court quotes a Supreme Court I. C. C. decision stating the principle that if a hearing has been granted, was adequate and fair, and that the finding of fact is in line with the indisputable character of the evidence such finding will not be questioned by the reviewing court.

(d) An important bankruptcy decision was handed down by the Supreme Court on November 2 in *Moore, Trustee, v. Bay*. From the decision of the Court it appears that the bankrupt executed a chattel mortgage on fixtures which was not only admittedly bad as to creditors as of the date of the mortgage but that it was not recorded in accordance with the requirements of section 3440 of the Civil Code of California.

The District Judge and the Circuit Court of Appeals held that the mortgage was valid as against those creditors becoming such between the date of the mortgage and the date it was recorded but the Supreme Court reversed the lower courts and directed that the assets of the estate "be distributed in dividends of an equal percentum on all allowed claims except such as have priority or are secured." (Bankruptcy act; section 65, Code, Title 2, section 105, and citing in re: *Kohler*, 159 Fed. 871; 11th Fed. [2d] series 62; 23 Fed. [2d] series 229; 43 Fed. [2d] series 340 and 236 U. S. 288.)

This decision emphasizes the importance of chattel trusts being recorded within statutory recording time.

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The largest collection department in the city specializing on RETAIL ACCOUNTS. The benefits accruing in placing your accounts with an organization owned by the merchants, for their protection, are self-evident.

Rates Reasonable Safety Assured

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UNITED ARTISTS BUILDING



WHAT'S IN A PROMISE TO PAY?

By J. P. RONAN

Asst. Credit Manager, Young-Quinlan Co.
Minneapolis, Minn.

IF A MEDICAL examination by the most expert staff of doctors could reveal the cause of scratches on a credit man's head an appalling result would occur!

Nine out of ten scratches would be found to have been caused by a never-ending list of requests for credit favors. No two of those problems are alike. The credit man thinks that somebody is requesting a favor all the time.

When is the psychological moment to ask for money after it is overdue? Is it the fair thing to allow certain pay privileges to one customer and not to another? And do people who promise to pay their bills at the end of an elapsed period granted by the good credit man ever pay them when the time comes?

Experience teaches us that in the great majority of cases people who say they can definitely pay if they are granted sixty or ninety days or longer beyond the usual period never pay even then.

In many cases such accounts are carried for many months longer. Some debtors leave their native city, some accounts have to be collected through the courts, and still more are never collected.

Why do stores allow such impositions on the part of their customers? Is it because they need to compete with their fellow-merchants on the basis of terms? No. Excessive losses in years gone by have taught them to abandon the use of competitive terms as a means of getting business.

Instead, there is now a pronounced willingness to exchange the information which will prevent losses to all stores, not only one. Stores, in turn, grant extension of terms to customers solely for accommodation and for the purpose of preserving their good will.

This word, "imposition," hits the nail on the head. What does the customer care if the store has to wait? He will not suffer, and little does he care if the store has to borrow money to pay its own obligations.

When there is delay in collecting the store loses interest on its outstanding money. Interest, in turn, must be paid to a bank when money is needed to meet the stores' bills, which, to maintain *its* good business standing, *must* be paid on time.

Let's delve into a few cases in which experience produced convincing facts in Minneapolis, Minnesota:

One Mrs. J. opened her account in March, 1915. Her husband occupied a responsible position with a milling firm and his record for paying bills was satisfactory. For fifteen years the account was carried, resulting in business amounting to approximately \$3,700. Mrs. J.'s purchases began with a moderate amount, commensurate with her husband's income.

Gradually the amount increased and with it an increasing difficulty in collections. Mrs. J. was soon making repeated requests for extensions of time to pay her bills. Each time there was more doubt in the mind of the credit man as to the advisability of extending credit for such large amounts, it being plainly evident that Mrs. J.'s income was not sufficient to cover her monthly expenses.

The climax came in December, 1929, when Christmas gifts for the amount of \$130 were charged. Nothing having been paid, on March 10, 1930, Mr. Credit Man wrote Mrs. J. A second letter followed.

Then an answer came from Mr. J. in Dallas, Texas, saying that he was "eliminated" from his position in Minneapolis, that his move was expensive, and that he was selling property with which he would pay his account in full.

In June, 1930, Mr. J.'s son called at the store and paid \$50. From the time of this payment until July, 1931, correspondence was exchanged, Mr. J. usually mailing the store's letter back, with his answer written diagonally across the face of it.

In his replies he not only refused to arrange for a definite settlement of the account, but directly

threw the matter back in the face of the credit man with his diagonally written sarcasm.

Letters were exchanged up to March, 1931, concerning the agreement of Mr. J. to "pay as soon as I can."

In March a recheck was made of Mr. J. at Dallas. Strange to say, he had obtained credit in Dallas, even though the merchants there had known of this Minneapolis record. The Dallas report showed several accounts which had been delinquent many months, still unpaid.

This information convinced the credit man it was necessary to obtain his money by immediate legal procedure. Delay, in the face of the debtor's pyramided obligations meant less chance of collection.

And now (July, 1931), no more money has been collected in spite of the legal measures.

That's one case.

Here's another. Mrs. B., a widow, had been slow in paying a bill of \$34.50, due to illness in her family, as she was the only member to meet household expenses. When it was finally paid (in eleven months) she went to the same store, saying she had resigned her position (one with a substantial salary) and was soon to go to California to receive a large amount of money left by a relative.

It later developed that the information she had given was in good faith. On her word an \$85 coat was charged in February. Nothing was paid until August and repeated correspondence has succeeded in getting only \$45 in two and a half years.

When the charge was made Mrs. B. was in high spirits, assuring the credit man of a large volume of future business and insisting that this one charge would be paid by the tenth of the following month. The estate of the wealthy relative had not been settled, nor has it yet been settled as far as Mrs. B. is concerned.

She has been extremely arrogant in her difficulties over her account. Several agreements have been made to pay her bill, but not one has been kept. Any attempt on the part of the credit man to get a payment has been met with a barrage of sarcastic replies.

Many individual experiences could be cited but it might be well to turn to other people, who, when they were told of their unsatisfactory credit standing, exerted every effort to elevate that standing to a higher plane. It meant work for the credit man, a period of education, so to speak; it meant refusal to add charges to an already delinquent balance.

Mr. M. had been, in his conversation with credit men of several stores, seeking a prompt credit rating. His past record showed several slow pay accounts. He called on some of the credit men each year, asking them please to give him a prompt rat-

(Continued on page 26.)

Credit Study Class Organized in Wichita

Between twenty-five and thirty local business men have enrolled in the Wichita Retail Credit Association's educational class in credit, according to J. G. McBride, president of the association.

"The National Retail Credit Association, through the local chapter," says the *Wichita Eagle*, October 13, 1931 issue, "offers the best in credit education. The course, which is to be taken by Wichita business men and credit managers, was prepared under the chairmanship of Justin H. Edgerton, general credit manager of the Hahn Department Stores in collaboration with Dr. Briscoe of the New York University, augmented by the experience of many credit executives of all parts of the nation.

"The course will last fifteen weeks and will conclude with an examination. The lectures will be given by Prof. Roy Elliott, of the University of Wichita. The class will meet in the offices of the Wichita Credit Bureau in the Kaufman Building each Wednesday. The Board of Directors will handle the discussions after each lecture. A paper will be prepared by each student at the end of the course and the best will be sent to the National Retail Credit Association to be judged by a committee. Prizes of \$100, \$50 and \$25 are offered."



J. G. McBride

Mr. McBride, who is controller of George Innes Company, is president of the Wichita Retail Credit Association and a director of the National Retail Credit Association. He has taken an active interest in furthering the knowledge of credit and collection practice and procedure among those engaged in that profession in the city of Wichita.

What's In A Promise to Pay?

(Continued from page 25.)

ing since he had been prevented from paying when due.

He was told, on these visits, that it was not possible to give him the "prompt" rating he desired until he actually paid on time. His accounts have in this way been brought up to date and are being continually settled on the due date.

Mr. W.'s record showed about twelve accounts past due. His situation was becoming alarming. He was called into the credit department of one store and told that he must either curtail purchases until he got paid up or make arrangements to pay in full.

He obtained a loan, paid \$700 out of \$1,300, and expected to keep right on charging. When he was asked how he intended to pay the balance of \$100 still delinquent at one store he asked for ten months' time. This was refused.

He finally agreed to pay it in sixty days and pay for additional purchases in full each month. His agreement has been satisfactorily kept.

For a period of several years a Mrs. L. continued to pay her bill over six or eight months. Each time charges were made she agreed to pay in full every month. Gradually her record for paying grew worse and the credit man was finally obliged to close the account.

Mrs. L. was seemingly very much discouraged. She was told the account had been permanently discontinued because of her inability to keep her promises and because of the store's inability to accept her business on such a basis of slow pay.

The complete credit system was fully explained to Mrs. L. when she continued her efforts to reopen the account. She was given another trial with the warning that if the account was not paid as agreed no further credit could be granted.

That was a year ago. Mrs. L. has assumed her responsibility with a surprisingly prompt record. Her pride in such a record has been evidenced by her letters to the credit man, thanking him for his advice and reiterating that never again will she allow her bills to become overdue.

Many more illustrations of customers who are willing or not willing to fulfill their agreements could be cited. The examples given, however, serve to show a decided fact to the credit man. Already familiar with many such cases, he faces the problem of what to do or what not to do.

Look back again to those people who asked for additional time. Only one of them (Mr. W.), kept his agreement. On top of that, the majority criticized the firm for asking for its money, rightfully due many months before.

Doesn't it bring out the necessity of "bearing down" or "tightening up," to use the slang of the credit man, or refusing altogether in some cases, the extension?

The second group of illustrations shows good results from the efforts of the credit man to educate the customer.

He warns her that slow accounts only place her in deeper debt and make her business more unprofitable for the store. He shows her how the unpleasant business relations which she has built up in this way may be easily avoided through proper budgeting of income and a sense of fair dealing between store and customer.

Buyers of merchandise are made familiar with credit terms when their accounts are opened. Is it not their responsibility to observe those terms, keeping in mind the many favors and services that retail firms render them? "Getting by" through seeking favors, postponing just debts, plunges the debtor into a tangled mass of burdens, oftentimes too muddled to untangle.

Credit men are human, and being also backed by experience, they are in a position to draw certain conclusions which should be of assistance in dealing with future customers who might fall into similar categories as those mentioned.

Use Your National Emblem



3/4 Inch
50 cents

All members of the National Retail Credit Association are entitled to use our national emblem on their letterheads and collection forms.

Thousands of them have found it to be a real collection help.

That is why we encourage its use and are prepared to furnish electros of our emblem for printing on your credit stationery.

We furnish these to members only, at cost, plus mailing and handling charges.

When ordering specify size desired.



1 Inch
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NATIONAL RETAIL CREDIT ASSOCIATION

1218 OLIVE STREET : : ST. LOUIS

FARM TAXES AND "LOCAL" GOVERNMENT

By DR. BUSHROD W. ALLIN

Agricultural Economist, United States
Department of Agriculture



PERHAPS never in the history of the country has there been such an interest in state and local tax revision as now. Official investigations have been in progress during the past eighteen months in more than half of the states. The question was one of the most important confronting the majority of the forty-four state legislatures that met in 1931; and recent resolutions on the subject by leading farm organizations are more far-reaching than usual.

The "general" property tax, so-called—widely condemned as unfair in principle and unenforceable in practice—is the lodestone around which the problem of state and local tax revision revolves. This tax, mainly a real estate tax, provides about nine-tenths of the tax revenue of local government, about one-fourth of the state tax revenue and none of the federal tax revenue.

Expenditures by local governments represent slightly more than one-half of the total cost of government. Approximately one-sixth of the total is attributable to state government, and the Federal Government is responsible for the remaining third. It is clear, therefore, that the property tax not only is of major importance in the public revenue system, but also is essentially a local-government tax.

Chief among the complainants against the property tax are the farmers, the very nature of whose occupation requires a relatively larger amount of real estate to produce a given income than is required by most occupations. Besides paying their share of the new and higher taxes on gasoline and motor vehicles as well as their part of indirect taxes including federal and state excises, farmers on the average will have to sell three times as much farm produce this year with which to pay their property taxes as they did in 1913. This statement rests upon the fact that farm produce has been selling recently for less than three-fourths as much as it did before the war, whereas farm real estate taxes per acre are about two and one-half times the pre-war level.

Proposals for reducing the farm property tax are not restricted entirely to measures designed to shift a part of the tax to income or some other tax base. They include suggestions for changing local government itself.

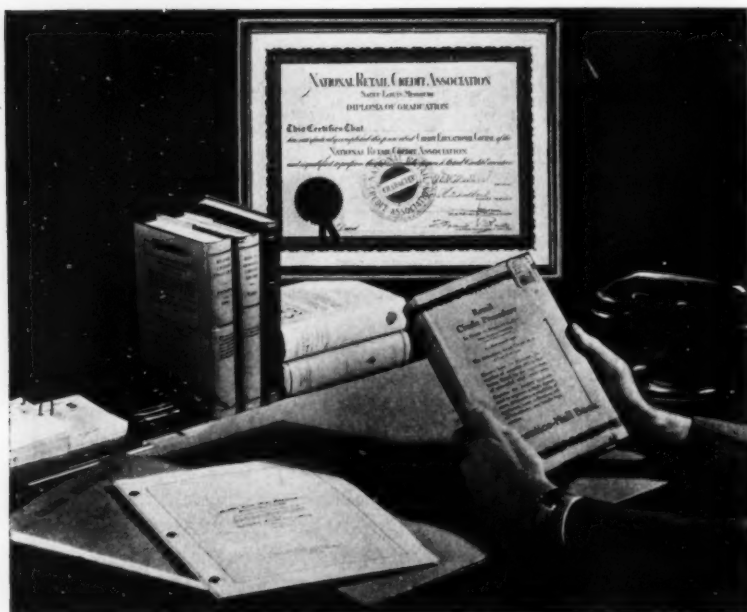
Among the resolutions on taxation, adopted November 20 by the National Grange at its sixty-fifth annual convention, appears the following statement: "Consolidation of some local governmental units should also prove helpful in reducing tax expenditures."

Almost at the same time, the Land Utilization Conference called by the Secretary of Agriculture, Arthur M. Hyde, and the Association of Land Grant Colleges and Universities at Chicago, included these words in its tax recommendations: "... that total expenditures should be held in check and reduced wherever possible, without serious injury to essential service, through consolidation of counties and other units of local government . . ."

Students of public finance and political science virtually all agree that local government, both urban and rural, is over-organized. As one authority puts it: "The question is not one of demonstrating whether we have too many governments, but is one of selecting the means by which some of them may be eliminated."

Consolidation of local units is not the only means. Elimination might result, for example, from a complete transfer of the functions of road and school districts either to the county or to the state. Nor is such elimination of governmental units always necessary for the accomplishment of greater efficiency through centralization. States and counties might take over only a portion of the functions of their subordinate taxing districts.

Interest in improving the efficiency of rural local government by any degree of centralization is in part a manifestation of the fact that rural local government has long since become more than "local" in many respects. Such terms as "local government," "home rule," and "self-determination" are relative. They always mean *more or less*.



Today's Credit Students

will be

Tomorrow's Credit Executives

THE responsible credit positions of tomorrow will be filled by those who are preparing themselves today in anticipation of tomorrow's opportunity.

"From now on," says Chas. M. Reed, Second Vice-President of this Association, "credit management is taking on a different technique. It is calling for higher qualifications on the part of men and women . . . whose aspirations are to climb higher in their profession."

Recognizing this need for specialized credit training, the Educational Department of the National Retail Credit Association furnishes the most comprehensive study course in Retail Credit—for individuals or organized classes.

Winter classes are now in progress in many cities as shown by the following list of enrollments:

Detroit, Mich.	350	Fort Smith, Ark.	16
Seattle, Wash.	50	New Haven, Conn.	16
Hartford, Conn.	45	South Bend, Ind.	16
Lincoln, Neb.	31	North Platte, Neb.	15
Marion, Ohio	31	Bay City, Mich.	12
Colorado Springs, Colo.	27	Madison, Wis.	11
Wichita, Kan.	22	Great Falls, Mont.	10
Morristown, N. J.	21	Pueblo, Colo.	10

Classes Starting in January:

Charleston, W. Va.	Canton, Ohio
Memphis, Tenn.	Topeka, Kan.
	Gainesville, Ga.

Thirty-nine other cities are in process of forming classes. Their enrollments have not been sent in to this office yet.

*Write today for detailed information
on courses for class or individual study.*

GUY H. HULSE

Secretary and Educational Director

National Retail Credit Association

1218 Olive Street

-O-

Saint Louis, Missouri

They meant most when the farm community was to a large degree economically self-sufficient. Geographically, what we still call "local" government is essentially the same government we had when production was more for home use and less for sale.

Since the days when "local government" meant entirely what it says, vast economic changes have occurred. The development of corporate industry, the railways, the telephone, the radio, the automobile, and the highways have revolutionized economic and social life. Communities formerly self-sufficient are now merely interdependent parts of a large community. Changes in governmental organization have lagged far behind changes in economic organization.

Often when farmers complain of high property taxes they are told that since most of their taxes are levied locally, the high level merely reflects their own will and not that of the larger community. A gross overstatement of the case! To begin with, those who pay the taxes are not always the same body of citizens who vote bond issues and appropriations.

This is quite apparent in many of our cities and in rural communities composed largely of tenants. Moreover, the will of an organized minority of property owners is often imposed upon an unorganized majority of property owners. Nor are these the only reasons why high taxes do not always represent the will of the taxpayers. The most important reason relates to the meaning of local government itself.

As a matter of administrative procedure, most of the farmers' tax is levied locally. To infer, however, that farmers are not under moral, and even legal, compulsion to act in respect to "local" government in harmony with the interests of the state betrays an understanding of local government which was perhaps good enough a century ago when aid, regulation and control by state authority was at a minimum.

Examples of legal compulsion are too numerous to mention. Schools and roads are required by statute. Minimum salaries for teachers have been set by some states in an attempt to insure a minimum standard of educational opportunity. New functions such as mothers' pensions, formerly unknown as a function of county governments, have appeared as a result of state legislation.

Beyond statute requirements, there is moral compulsion in the fact that farmers may prefer to vote relatively high taxes in order to avoid stigmatizing the local community. In local government, as in private affairs, a lot of money is spent "to keep up with the Joneses." Custom of the larger community often requires a level of public expenditure beyond that required by statute.

The responsibility of the state in the matter of road and school finance is being increasingly recognized not only in the form of state aids, but also in increasing state participation in road and school administration. In both cases the tax base not only is broadened but also may be (and usually is) at least partially changed from property to income or some other base. Rural "local" government is becoming less local, and the state is assuming greater financial responsibility partly for the purpose of reducing the property tax burden and partly for the purpose of improving service.

The assumption of greater financial responsibility by the state may or may not involve greater centralization of administration. As a matter of fact, most state aids are apportioned to local authorities and spent by them. The funds are granted, of course, on the condition that they be spent according to regulations laid down by the state. This in itself is a form of centralized administration.

North Carolina, on the other hand, is an outstanding example of a state that has gone a long way in centralizing administration. In 1931 the legislature of that state became convinced that by having the state take over the maintenance of local roads and a large part of the rural school system more relief could be given the taxpayer than could be given by increasing state grants to be expended locally.

They acted accordingly; and, as a result, it is estimated that rural property taxes will be reduced a third. The state will levy a property tax of only 15 cents per \$100 of assessed value for school purposes. The remainder of the necessary school funds, about \$7,000,000, will be raised from income, franchise, and business taxes; and the local roads will be maintained entirely by funds derived from the gasoline and motor vehicle taxes.

Bankers and merchants in the poorer sections of a state have a very direct interest in such changes as those made in North Carolina. They involve important changes in either present or prospective distribution of tax burdens. Lower farm taxes mean more for store accounts and mortgage payments.

POSITION WANTED

Credit and Collection Manager—Accountant: Man, 35 years of age, married. Past six years Credit Manager Chicago Dept. Store doing annual charge business \$250,000, also same installment. Store recently sold. All inquirers will be furnished complete details and best of references.

Address: C. W. 121 in care of Credit World

Your Credit And the Credit Bureau

(Continued from page 16.)

Thus we find that the National Retail Credit Association came into existence and credit bureaus were developed in the larger cities to keep an experience-record of our habits in paying our bills, in order that these experience-records might be available to the members of these various credit organizations.

Now I am coming to the most interesting part of my story because I am going to localize what might be a typical experience of any one of you or your parents in applying for credit for the first time in the local or metropolitan area stores. Perhaps it would be well to use as an illustration two experiences which will give you the real inside facts of what a credit bureau does and how it does it.

Let us take, for example, any one of you who may go to college after graduation this year. Let us say that one of you will attend Mt. Holyoke College. While at college you are invited to a Prom at Amherst and that immediately necessitates a new evening dress and shoes. You have written Mother and she tells you to go to Holyoke and open an account in her name and have the store send her the bill.

In one of the splendid department stores you find just the dress and shoes you are looking for. You explain to the girl that you are Miss Jones attending college at Mt. Holyoke and that you want these articles charged to your mother. The saleslady asks if your mother has an account with the store and you tell her, "No, but she has given me permission to open one."

You are immediately referred to the credit manager who makes out a credit application. You happen to have the letter from your mother in your bag, which you show him. He tells you that with that letter it should be a comparatively easy matter to open an account for you; that he will clear your references and, if all is well, within the next twenty-four hours, send you the merchandise you have purchased.

He assures you that he does not think there will be any difficulty but a new application for a charge account must go through the regular routine of the store. You walk out of the store and the credit manager immediately goes to work. He calls the Holyoke Credit Bureau and states that he wants a credit report on your family, residing in Bernardsville, N. J.

Inasmuch as he is in a hurry, the Holyoke Credit Bureau wires in code to the Morris County Credit Bureau and we immediately develop sufficient information, if it is not already in file, to give them absolute facts as to whether or not your account is desirable.

Now what kind of information do we give and how do we get it? Our information is developed through our own members who have had experiences in dealing with your family and through others whom we learn of.

A credit report consists of six parts. The first part explains where you now live and how long you have lived there, with any previous places of residence.

The second part describes your family; stating whether or not the individual reported on is married, single, widow, widower or divorced and how many in the family.

The third part gives the occupation of the head of the family, the length of time he or she has been employed and any previous places of employment, with length of time. His record with his employer is also very important in this particular description.

The fourth part gives a description of the individual's resources. If he or she is working on a salary, the approximate salary is given. Additional income, if any, is approximated or actual figures given if they can be ascertained. If he or she owns property, that is reported together with the approximate amount of money the property is worth and, if possible to find out, how much is owed on the property. If nothing is owing that is reported.

The fifth part has to do with credit. A credit bureau, and this is very important, never says that an individual is good or bad. A credit bureau must report facts hence if your parents have traded with any local store the report would read something like this:

Grocery store reports have had account since February 21, 1928. The highest credit that has ever been extended is \$25.00. Bills are always paid within thirty days, sixty days, or as the case may be.

Perhaps we will have on a single individual report the credit experiences in as many as fifteen places of business including doctors, dentists, retailers, automobile finance companies and many other lines.

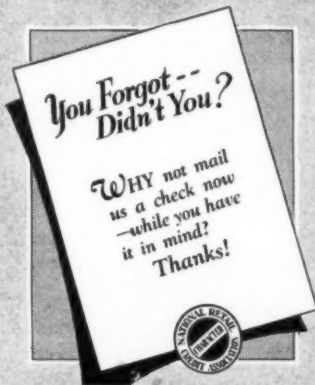
The sixth part of a report contains court information. If you have ever been sued, that is reported. If a suit came up for trial and you lost the case, a judgment is entered. If your house has to be sold for unpaid taxes that is reported. Divorce proceedings and drunken-driving proceedings also become a part of a credit report.

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No. 2

No. 3



No. 4

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No. 6

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ORDER FROM YOUR CREDIT BUREAU—MOST BUREAUS CARRY THEM IN STOCK FOR THE CONVENIENCE OF THEIR MEMBERS

NATIONAL RETAIL CREDIT ASSOCIATION
1218 Olive St. St. Louis, Mo.

Hence, the report as developed by the Morris County Credit Bureau, is wired back in code to the Holyoke Credit Bureau, which in turn calls the credit manager of the firm from whom you are buying your merchandise. He analyzes the report and knows immediately whether or not the credit record of your parents is sufficiently good to enable his firm to extend you the credit you desire.

At this time of the year we are sending out to all parts of the United States and Canada, reports which have been requested under these exact circumstances. Yesterday we cleared a report coming from Toronto, Canada. This morning our mail contained reports from fourteen cities in different parts of the United States.

We are constantly asked by other credit bureaus for the same type of information these bureaus are giving us and the reports that are requested in this morning's mail or came in today by telegram or telephone are either mailed back or wired back the same day they are received.

The procedure when a local merchant is asked to open an account is exactly the same. Every member of each credit bureau sends a record of all of his customers and their paying habits to his local credit bureau. When this account changes from time to time, according to success or failure of the individual in business, the accounts are changed in our files. *Your credit record is made by you. We merely record the facts as they exist.*

A local merchant calls his credit bureau for a credit report and the report is developed and called back to him immediately. Business has become so large that he cannot depend on his own judgment but must depend on facts, hence, if you ever apply for credit and are refused that credit, don't blame the merchant or the doctor.

Check back in your own record and if you cannot find any occasion where you haven't taken care of your obligations as you should have get in touch with the credit bureau covering your territory and find out immediately what has caused your being refused credit.

Just remember this:

Just as a record was kept of the first eight years you were in grade school and just as a record is being kept of you during these years you are spending in high school, in the same way a record of your ability, your character and your credit experiences will be kept by the local credit bureau throughout your life.

The explanation which I have tried to give you should never be forgotten. Treat your credit as a sacred trust because a good credit record is your most valuable asset.

I personally interview many people, each month, who have never paid any attention to their credit reputation during their lifetime. Today they

would be making a good livelihood if it were not for the fact that they had destroyed their credit.

I feel that every credit bureau has the responsibility of informing the public just how a credit reputation is built and how easily it can be lost. I am going to extend to all of you an invitation: that if you ever have some time in Morristown and would like to see a credit bureau actually working, I will be glad to show you through our bureau. We keep records on a population of about 150,000 people. It necessitates seven full-time and five part-time employees.

Most of your local business and professional men are members. We have members in thirty-two towns in Morris County and Somerset County, a total of about 350 members. New Jersey is entirely covered by the Associated Credit Reporting Agencies of New Jersey, consisting of twelve bureaus. The National Retail Credit Association, which is the parent organization, consists of over 1,300 bureaus located in all parts of the United States, Canada and some foreign countries.

Last year we developed two reports on people in this locality for the affiliated member of the National Association located in Amsterdam, Holland. No matter where you are or where you may go, you cannot lose your credit record!

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